

TORONTO STOCK EXCHANGE

TORONTO

BULLETIN NO. 7271

July 8th, 1969

NEW LISTINGHARLEQUIN ENTERPRISES LIMITED

Application has been granted for the listing in the industrial category of 1,327,603 common shares without nominal or par value, all of which are issued and outstanding. The common shares will be posted for trading at the opening on Thursday, July 10, 1969. Stock Symbol "HQE"; Post Section 7.6; Dial Quotation No. 1534.

Listing Statement No. 2380 is being prepared. The following is some of the information that will be in the Statement:

Incorporated - under the laws of Canada by Letters Patent dated January 29, 1949, under the name Harlequin Books Limited.

Head Office - Suite 2703, Toronto-Dominion Centre, Toronto 111, Ontario.

Nature of Business - Harlequin commenced operation in 1949 as publisher of a general line of paperback books including non-fiction, reference books, biographies and novels, including novels of a light romantic nature. Recognizing the popularity and saleability of this latter type of book, Harlequin began in 1960 to concentrate primarily on publishing paperback romance novels for the Canadian and United States markets.

Transfer Agent and Registrar - Montreal Trust Company, Vancouver, Calgary, Winnipeg, Toronto, Montreal and Halifax

Officers -

| | |
|---------------------------|--|
| Chairman of the Board | - M. F. Bonnycastle, Winnipeg, Man. |
| President | - R. A. N. Bonnycastle, Calgary, Alta. |
| Executive- Vice-President | - J. I. McCartney, Willowdale, Ont. |
| Secretary-Treasurer | - R. P. Palmour, Winnipeg, Man. |

Directors - M. F. Bonnycastle, J. I. McCartney, R. P. Palmour, R. A. N. Bonnycastle and the following:

L. C. Bonnycastle, Toronto, Ont., Pres. Canadian Corporate Management Co. Ltd.
J. R. Hood, Stratford, Ont., Pres. Jack Hood School Supplies Company Ltd.
D. Sprague, Winnipeg, Man., Pres. James B. Carter Limited

Capitalization - as at May 27, 1969

| <u>Share Capital</u> | <u>Authorized</u> | <u>Issued and Outstanding</u> | <u>To Be Listed</u> |
|---------------------------------|-------------------|-------------------------------|---------------------|
| Common shares without par value | 3,000,000 | 1,327,603 | 1,327,603 |

Offering by Prospectus - Under an agreement dated April 25th, 1969, made between Harlequin and certain shareholders of Harlequin (the Selling Shareholders) and Richardson Securities of Canada, as Underwriter, Harlequin and the Selling Shareholders agreed to sell and the Underwriter agreed to purchase, as principal, all of the 400,000 common shares offered by the prospectus for a total consideration of \$2,800,000.

Purpose of Issue - The proceeds to be derived by Harlequin from the sale of 266,667 of the 400,000 common shares offered by the prospectus (after deduction of Harlequin's share of the expenses of the issue estimated at \$42,500) will be applied, directly or indirectly, to pay the purchase price of the 37,500 common shares of Jack Hood School Supplies Company Limited and the balance of \$524,169 will be added to working capital.

Shares Under Option - None

Earnings - as at December 31st

| | | |
|------|---|-----------|
| 1964 | - | \$ 40,002 |
| 1965 | - | 128,637 |
| 1966 | - | 119,411 |
| 1967 | - | 284,920 |
| 1968 | - | 346,224 |

TORONTO STOCK EXCHANGE

TORONTO

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Dividends

| <u>Year</u> | | <u>Per Common Share</u> |
|-------------|---|-------------------------|
| 1964 | - | \$3.00 |
| 1965 | - | 6.00 |
| 1966 | - | 7.00 |
| *1967 | - | 8.00 |
| *1968 | - | 8.00 |

Note: *In addition to cash dividends in 1967 and 1968, stock dividends were paid to common shareholders by issuance in such years respectively, of 9,490 and 2,723 preferred shares of \$10 par value each, which preferred shares were subsequently redeemed at par.

Dividend Policy - It is expected that Harlequin will retain a substantial portion of its future earnings to further expand its operations.

Subsidiaries - Jack Hood School Supplies Company Limited

Listing on Other Exchanges - No

Shares in Escrow - None

BY ORDER OF THE BOARD OF GOVERNORS

J. R. KIMBER,
President

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This Listing Statement is compiled by the Exchange from documents filed by the Company in making application for listing. It is issued for the information of members, member firms and member corporations of the Exchange. It is not and is not to be construed as a prospectus. The Exchange has received no consideration in connection with the issue of this Listing Statement other than the customary listing fee. The documents referred to above are open for inspection at the general office of the Exchange.

LISTING STATEMENT NO. 2380.

LISTED JULY 10, 1969.
1,327,603 Common Shares without par value, all of which are issued and outstanding.
Stock Symbol "HQE".
Post Section 7.6.
Dial Quotation No. 1534.

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

HARLEQUIN ENTERPRISES LIMITED

Incorporated under the laws of Canada by
Letters Patent dated January 29, 1949

COMMON SHARES WITHOUT NOMINAL OR PAR VALUE
Transferable in Vancouver, Calgary, Winnipeg, Toronto, Montreal and Halifax

CAPITALIZATION AS AT MAY 27, 1969

| SHARE CAPITAL | AUTHORIZED | ISSUED AND OUTSTANDING | TO BE LISTED |
|--|------------|---------------------------|--------------|
| Common shares without nominal or par value ("common shares") | 3,000,000 | 1,327,603 | 1,327,603 |

1. APPLICATION

HARLEQUIN ENTERPRISES LIMITED (herein called the "Company") hereby makes application for the listing on The Toronto Stock Exchange of 1,327,603 common shares, all of which have been issued and are outstanding as fully paid and non-assessable.

2. REFERENCE TO PROSPECTUS

Reference is hereby made to the attached Prospectus (the "Prospectus") issued by the Company dated April 30, 1969 with respect to the new and secondary offering of 400,000 common shares, a copy of which Prospectus is hereby incorporated in this application and made part hereof.

3. HISTORY OF THE COMPANY AND NATURE OF BUSINESS

A history of the Company and description of the nature of its business are set forth on pages 3 and 4 of the Prospectus.

4. INCORPORATION

The Company was incorporated under the laws of Canada by letters patent dated January 29, 1949 with an authorized capital of 40,000 shares without nominal or par value. Supplementary letters patent dated July 31, 1967 were issued to the Company reorganizing the authorized capital of the Company to 20,000 preferred shares of the par value of \$10 each and 40,000 common shares without nominal or par value. Supplementary letters patent dated March 24, 1969 were issued to the Company, among other things, reorganizing the authorized capital of the Company to 3,000,000 common shares without nominal or par value.

5. SHARES ISSUED SINCE INCORPORATION

| Date of Issue | No. of Shares Issued | Amount Realized Per Share | Total Amount Realized | Purpose of Issue |
|-------------------|----------------------------|---------------------------------|-----------------------------|---|
| February 11, 1949 | 5 | \$1.00 | \$ 5 | Incorporators' shares. |
| March 24, 1949 | 4,000 | .10 | 400 | Issued to subscribers for a cash consideration. |

| <u>Date of Issue</u> | <u>No. of Shares Issued</u> | <u>Amount Realized Per Share</u> | <u>Total Amount Realized</u> | <u>Purpose of Issue</u> |
|----------------------|-------------------------------------|--|--------------------------------------|--|
| October 10, 1968 | 2 | \$1.00 | \$ 2 | Issued to qualify new directors. |
| March 24, 1969 | 993,736 | — | — | The outstanding 4,007 common shares were subdivided 248 for 1 by supplementary letters patent dated March 24, 1969. |
| May 27, 1969 | 266,667 | 7.00 | 1,866,669 | Issued to an underwriter for a cash consideration pursuant to an agreement dated April 25, 1969. |
| May 27, 1969 | 67,200 | 7.50 | 504,000 | Issued in consideration for the acquisition of 12,500 common shares of Jack Hood School Supplies Company Limited pursuant to an agreement dated December 20, 1968. |

6. DESCRIPTION OF COMMON SHARES

See page 6 of the Prospectus.

7. DIVIDEND RECORD

The following is the cash dividend record with respect to the outstanding common shares (before subdivision of the common shares on the basis of 248 for 1 by supplementary letters patent dated March 24, 1969) for each of the years shown:

| <u>Year ending December</u> | <u>Number of Common Shares Outstanding</u> | <u>Cash Dividends per Common Share</u> | <u>Total Cash Dividends</u> |
|---------------------------------|--|--|---------------------------------|
| 1959 | 4,005 | \$ nil | \$ nil |
| 1960 | 4,005 | nil | nil |
| 1961 | 4,005 | 2.00 | 8,010.00 |
| 1962 | 4,005 | 3.00 | 12,015.00 |
| 1963 | 4,005 | 3.00 | 12,015.00 |
| 1964 | 4,005 | 3.00 | 12,015.00 |
| 1965 | 4,005 | 6.00 | 24,030.00 |
| 1966 | 4,005 | 7.00 | 28,035.00 |
| 1967 | 4,005 | 8.00 | 32,040.00 |
| 1968 | 4,007 | 8.00 | 32,048.00 |

In addition to cash dividends, in 1967 and 1968 stock dividends were paid to common shareholders by issuance in such years, respectively, of 9,490 and 2,723 preferred shares of the par value of \$10 each, which preferred shares were subsequently redeemed at par.

8. PROPERTIES

Particulars of the properties and plant of the Company, and its subsidiary, Jack Hood School Supplies Company Limited, are set out on pages 3 and 4 of the Prospectus.

9. SUBSIDIARY COMPANY

The only subsidiary of the Company is Jack Hood School Supplies Company Limited ("Hood"), incorporated under the laws of the Province of Ontario by letters patent dated December 30, 1953. The authorized capital of Hood consists of 50,000 common shares without par value, all of which are issued and outstanding as fully paid and non-assessable and owned by the Company. The nature of the business of Hood is contained on page 4 of the Prospectus.

10. OPTIONS, UNDERWRITINGS, ETC.

There are presently no outstanding options, underwritings, sale agreements or other contracts or agreements of a like nature with respect to any unissued common shares or any issued common shares held for the benefit of the Company.

11. LISTING ON OTHER STOCK EXCHANGE

There are no securities of the Company listed on any other stock exchange.

12. STATUS UNDER SECURITIES ACTS

Particulars of any filing, registration, approval or qualification with or by the Ontario Securities Commission or any corresponding governmental body or authority are as follows:

PROSPECTUS DATED APRIL 30, 1969.

No securities commission or similar authority in Canada has in any way passed upon the merits of the shares offered hereunder and any representation to the contrary is an offence.

NEW AND SECONDARY ISSUE:

Of the 400,000 common shares offered by this prospectus, 133,333 of such shares are being purchased from shareholders of Harlequin Enterprises Limited and no proceeds of the sale of the said 133,333 shares will be received by Harlequin Enterprises Limited. Reference is made to the heading Principal Holders of Shares and Selling Shareholders on page 8.



Harlequin Enterprises Limited

(Incorporated under the laws of Canada)

400,000 common shares

(without nominal or par value)

Price: \$7.50 per common share

| | Price to Public | Proceeds to the Underwriter | Proceeds to Harlequin (1) | Proceeds to Selling Shareholders (1) |
|---|--------------------|-----------------------------------|------------------------------|--|
| Per share | \$7.50 | \$.50 | \$7.00 | \$7.00 |
| Total | \$3,000,000 | \$200,000 | \$1,866,669 | \$933,331 |
| (1) Before deducting expenses of the issue estimated at \$50,000, of which \$42,500 is to be paid by Harlequin and \$7,500 is to be paid by the Selling Shareholders. | | | | |

In the opinion of counsel, these common shares will be investments in which the Canadian and British Insurance Companies Act (Canada) states that a company registered under Part III thereof may invest its funds without resorting to the provisions of subsection (4) of Section 63 of the said Act and will also be an investment in which Schedule C to the Regulations under the Pension Benefits Standards Act (Canada) states that the funds of a pension plan thereunder may be invested without resorting to the provisions of Section 4 of the said Schedule C.

Application has been made to list the common shares of Harlequin Enterprises Limited on The Toronto Stock Exchange. Acceptance of listing will be subject to the filing of required documents and evidence of satisfactory distribution, both within 90 days.

We, as principals, offer these 400,000 common shares, subject to prior sale, if, as and when delivered to and accepted by us and subject to the approval of all legal matters on behalf of Harlequin Enterprises Limited and the selling shareholders by Messrs. Davies, Ward & Beck, Toronto, and on our behalf by Messrs. Thompson, Dilts & Company, Winnipeg.

It is expected that definitive share certificates will be available on or about May 27, 1969.

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STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION OF PURCHASERS IN ONTARIO, MANITOBA, SASKATCHEWAN, ALBERTA AND BRITISH COLUMBIA

The attention of purchasers in the Provinces of Ontario, Manitoba, Saskatchewan and Alberta of any of the securities offered by this prospectus is drawn to certain provisions of relevant legislation, namely: The Securities Act, 1966 (Ontario), The Securities Act, 1968 (Manitoba), The Securities Act, 1967 (Saskatchewan), and The Securities Act, 1967 (Alberta), which permit such purchasers in certain events and subject to certain conditions:

- (a) to withdraw from any agreement of purchase if written or telegraphic notice evidencing the intention of the purchaser not to be bound by the agreement of purchase is received by the vendor or his agent not later than midnight on the second business day after the prospectus or amended prospectus is received or is deemed to be received by the purchaser or his agent; and
- (b) to rescind the agreement of purchase by institution of legal proceedings within 90 days from the later of the date of receipt of the prospectus or amended prospectus by the purchaser or his agent or the date of the agreement of purchase if such prospectus, as of the date of receipt, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained therein not misleading in the light of the circumstances in which it was made.

The full text of the respective statutory provisions summarized above are contained in Section 63 and 64 of The Securities Act, 1966 (Ontario), Sections 63 and 64 of The Securities Act, 1968 (Manitoba), Sections 70 and 71 of The Securities Act, 1967 (Saskatchewan) and Sections 63 and 64 of The Securities Act, 1967 (Alberta).

Sections 61 and 62 of the Securities Act, 1967 (British Columbia) provide in effect, that where a security is offered to the public in the course of primary distribution:

- (a) a purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.
- (b) a purchaser has a right to rescind a contract for the purchase of such security while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

HARLEQUIN ENTERPRISES LIMITED

Harlequin Enterprises Limited (Harlequin) was incorporated under the laws of Canada by letters patent dated January 29, 1949 under the name Harlequin Books Limited. Supplementary letters patent dated March 24, 1969 were issued to Harlequin, among other things (i) changing its name to Harlequin Enterprises Limited, (ii) reorganizing its authorized capital, (iii) subdividing each common share, whether issued or unissued, into 248 common shares, (iv) converting it into a public company, and (v) extending its objects.

By an agreement dated December 20, 1968 Harlequin agreed to acquire all the issued and outstanding common shares of Jack Hood School Supplies Company Limited (Hood). Reference is made to the heading Acquisition of Hood by Harlequin on page 5.

Harlequin has its head office and principal place of business at 365 Bannatyne Avenue, Winnipeg, Manitoba.

BUSINESS

Harlequin

Harlequin commenced operation in 1949 as publisher of a general line of paperback books including non-fiction, reference books, biographies and novels, including novels of a light romantic nature. Recognizing the popularity and saleability of this latter type of book, Harlequin began, in 1960, to concentrate primarily on publishing paperback romance novels for the Canadian and United States markets. Initially, six of these titles were published each month. The rate of publication has since increased to eight titles per month and the books sell at a suggested retail price of 50¢ per copy. Much of the success of Harlequin is attributable to its editorial policy of providing light, inoffensive reading for all ages.

All books published and sold by or on behalf of Harlequin are published under the two Harlequin trademarks. One trademark consists of the word Harlequin and the other of a logo, a specimen of which appears on the front page of this prospectus. Harlequin is the owner of both trademarks which are registered in Canada and the United States.

Titles are selected from works previously published in both hard-bound and paper-bound form by Mills & Boon Limited (Mills & Boon) of London, England. Harlequin entered into a five year agreement with Mills & Boon effective from December 31, 1968 whereby Harlequin was granted the exclusive paperback publishing and marketing rights in Canada and the United States, its territories and possessions, for all literary works of a romantic or romance nature published and controlled by Mills & Boon. The purpose of this agreement was to formalize the long-standing working arrangement which existed between Harlequin and Mills & Boon. The agreement is automatically renewed annually after December 31, 1973 unless specifically terminated by either party on eight months' written notice. During the continuance of the agreement, Mills & Boon must supply a sufficient number of titles to enable Harlequin to publish at the presently established rate of eight titles per month. Harlequin presently has on hand sufficient titles to satisfy its requirements for the next eight months.

Mills & Boon is a private company established in London, England in 1909 and is engaged in publishing a general line of hard-cover and paperback books including fiction, non-fiction, reference and text books which sell principally in English-speaking countries other than North America. Harlequin believes that Mills & Boon is the largest publisher of paperback romance novels in such market area.

In 1949 Harlequin entered into an agreement with Curtis Distributing Company, Ltd., Toronto (Curtis), whereby Curtis handles exclusively the distribution of all Harlequin books in Canada. Curtis provides supervision of sales through its field personnel, arranges for promotion of the books, and carries out all billings and collections. For these services Curtis receives from Harlequin a commission based on the retail price of books sold. This agreement is automatically renewed annually unless specifically terminated by either party on 60 days' written notice.

Curtis Circulation Company, New York, under a three year agreement made as of December 31, 1968, is the exclusive distributor of Harlequin books to the wholesaler and re-supply segment of and principal rack

jobbers in the United States market. This agreement is automatically renewed annually unless specifically terminated by either party on six months' written notice. Under the agreement, return and net sales targets are settled annually. In the event agreement on such targets cannot be reached, either party may terminate the agreement on six months' notice. In the event that net sales fall below 30% of the agreed upon net sales target or in the event that book returns during any six month period shall average greater than 30%, then either party may terminate the agreement on six months' written notice.

Simon & Schuster, Inc., New York (Simon), has the exclusive right to publish under royalty for the remainder of the United States market, principally chain stores, under a three year agreement with Harlequin made as of December 31, 1968. This agreement is automatically renewed on an annual basis unless specifically terminated by either party on five months' written notice. If stated sales targets are not met by Simon, either party may terminate the agreement by notice in writing. Under the terms of this contract, Simon pays Harlequin a monthly royalty based on its sales of books published under the Harlequin trademarks. All expenses of production (except printing plates) and marketing are borne by Simon.

Printing, production, warehousing and shipping of books published by Harlequin are carried out under arrangements, primarily with companies located in the Greater Winnipeg area. Harlequin pays all freight charges, including those on books returned.

Harlequin believes that it is the largest publisher of paperback romance novels in Canada and that books published under its trademarks are the largest selling line of paperback romance novels marketed in the United States. During the past five years unit sales of Harlequin books in Canada and the United States have increased by more than 260%. In the period from 1963, when Harlequin entered the United States market, to December 31, 1968, the percentage of unit sales of Harlequin books in the United States market increased to 61% of the total sales of Harlequin books. The paperback publishing industry return level is understood to vary from between 25% to 50% of books shipped. Harlequin's book return level, in the United States and Canadian markets, has averaged approximately 11% over the last five years.

Because Harlequin operates on a sub-contract basis for printing, production, warehousing and shipping, Harlequin has only nine permanent employees. Harlequin leases premises in Winnipeg and Toronto for its office requirements.

Hood

The principal business of Hood is the distribution and sale of school supplies in the Province of Ontario and, to a lesser extent, in Quebec and the three Prairie Provinces. The more important lines handled by Hood are exercise books, workbooks and teaching aids, general supplies (such as stationery, maps and globes, pencils, rulers and erasers), audio-visual teaching equipment, scientific models and library books. Of these lines Hood manufactures student exercise books, workbooks, stationery supplies and certain teaching aids. In addition, Hood manufactures laminated covers and binds them on books for sale to the school library trade. These books are provided with a catalogue coding number on the jacket, a printed card pocket and borrower's and reference cards.

Hood sells primarily to school boards through a sales force of 14 salesmen. Excluding library book sales, approximately 19% of Hood's total sales volume is derived from tendered sales.

Hood owns a building at Stratford, Ontario having a floor space of approximately 20,000 square feet which houses its head office, school library book warehouse and book cover laminating facilities. Hood also leases from John Russell Hood, one of the directors of Harlequin and President of Hood, a building at Stratford having a floor space of approximately 60,000 square feet in which Hood's printing plant and general warehouse are located. The net lease covering these premises is dated January 1, 1969 and has a term of ten years at an annual rental of \$45,000. These facilities, which are fully utilized, are considered by management to be adequate for current needs.

As at December 31, 1968 Hood had 124 full-time employees of which 76 were employed in Hood's printing plant and warehouse in Stratford.

ACQUISITION OF HOOD BY HARLEQUIN

Pursuant to an agreement dated December 20, 1968 made between Harlequin and John Russell Hood, Harlequin purchased from John Russell Hood, 37,500 of the 50,000 issued and outstanding common shares without par value in the capital of Hood for a purchase price of \$1,500,000. This purchase was completed on March 10, 1969. The purchase price was satisfied as to \$850,000 by the payment of such amount in cash (of which \$200,000 was advanced on execution of the agreement against a non-interest bearing promissory note of John Russell Hood which was cancelled on completion of the purchase) and as to the balance of the purchase price, namely \$650,000, by the delivery to John Russell Hood of a non-interest bearing promissory note of Harlequin payable 90 days after March 10, 1969 or on the date on which the remaining 12,500 outstanding common shares of Hood are acquired by Harlequin, whichever is earlier.

The agreement states that Harlequin proposes to enter into arrangements with an underwriter to effect a public distribution of common shares of Harlequin. If such public distribution takes place prior to December 31, 1969 Harlequin agrees to purchase and John Russell Hood agrees to sell the remaining 12,500 outstanding common shares of Hood in consideration of \$504,000 to be satisfied by the issuance to John Russell Hood of such number of common shares of Harlequin as is the quotient obtained by dividing \$504,000 by the price to the public per common share of Harlequin offered for sale by this prospectus.

Accordingly, based upon the foregoing formula, contemporaneously with the Underwriter taking up and paying for the common shares of Harlequin offered hereby, 67,200 common shares of Harlequin will be issued and allotted to John Russell Hood in consideration for the acquisition of the remaining 12,500 common shares of Hood.

PLAN OF DISTRIBUTION

Under an agreement dated April 25, 1969 made between Harlequin, certain shareholders of Harlequin described under the heading Principal Holders of Shares and Selling Shareholders on page 8 (the Selling Shareholders) and Richardson Securities of Canada, as underwriter (Underwriter), Harlequin and the Selling Shareholders agreed to sell and the Underwriter agreed to purchase, as principal, all of the 400,000 common shares offered by this prospectus for a total consideration of \$2,800,000, payable in cash on delivery of certificates therefor, in definitive form, subject to compliance with the necessary legal formalities and to the terms and conditions stated in the said agreement. The Underwriter is committed to take up and pay for all of the common shares offered hereby if any of the common shares are purchased under the said underwriting agreement.

Pursuant to an agreement dated April 25, 1969 the holders of the issued common shares of Harlequin referred to under the heading Principal Holders of Shares and Selling Shareholders, have agreed with the Underwriter not to sell, dispose of, or otherwise deal in, directly or indirectly, any common shares of Harlequin presently owned by them for a period of nine months from the date of this prospectus without the prior written consent of the Underwriter.

The common shares offered by this prospectus and the common shares owned by directors and senior officers of Harlequin represent 30.13% and 41.83% respectively, of the 1,327,603 common shares to be outstanding on completion of this issue.

After giving effect to the issuance by Harlequin of 266,667 common shares being offered by it pursuant to the provisions of this prospectus and upon the issuance of 67,200 common shares in connection with the acquisition of all the issued and outstanding common shares in the capital stock of Hood, the net book value per share of the issued and outstanding common shares of Harlequin will be \$2.36.

USE OF PROCEEDS

The proceeds to be derived by Harlequin from the sale of 266,667 of the 400,000 common shares offered by this prospectus (after deduction of Harlequin's share of the expenses of the issue estimated at \$42,500) will be applied, directly or indirectly, to pay the purchase price of the 37,500 common shares of Hood referred to under the above heading Acquisition of Hood by Harlequin and the balance, namely, \$524,169 will be added to working capital.

| Designation of Securities | Authorized | CAPITALIZATION | | |
|--|---------------------|----------------------------------|-------------------------------|---|
| | | Outstanding at December 31, 1968 | Outstanding at March 25, 1969 | Outstanding at March 25, 1969 after giving effect to this financing |
| Current Liability | | \$ | \$ | \$ |
| Hood | | | | |
| Bank advances (secured) — | | 121,068 | 154,878 | 154,878 |
| Long-Term Debt | | | | |
| Hood | | | | |
| Lien notes payable in installments to 1971 — | | 48,320 | 47,200 | 47,200 |
| 7% first mortgage due 1972 | | 24,594 | 24,000 | 24,000 |
| Capital Stock | | | | |
| Preferred Shares of the par value of \$10 each — | (7,787 shares) | — | — | — |
| | \$77,870 | — | — | — |
| Common Shares without nominal or par value — | (40,000 shares) (1) | (4,007 shares) | (993,736 shares) (1) | (1,327,603 shares) (2) |
| | | \$407 | \$407 | \$2,371,076 |

NOTES:

1. Supplementary letters patent dated March 24, 1969 issued to Harlequin, among other things, cancelled authorized and unissued preferred shares and subdivided issued and unissued common shares on the basis of 248 for 1. The authorized capital of Harlequin now consists of 3,000,000 common shares without nominal or par value.
2. Contemporaneously with this financing 67,200 common shares of Harlequin will be issued and allotted to John Russell Hood upon the acquisition of the remaining 12,500 issued and outstanding common shares of Hood.
3. Reference is also made to Note 6 of the Financial Statements on page 13 in respect of a lease commitment.

Description of Common Shares

THE SHARES

The authorized capital of Harlequin consists of 3,000,000 common shares without nominal or par value, of which 1,327,603 common shares will be issued and outstanding as fully paid and non-assessable upon completion of this financing. Of the 400,000 common shares offered by this prospectus, 266,667 of such shares are being purchased from Harlequin. All common shares of Harlequin will rank equally in respect of dividends as and when declared by the Board of Directors; are entitled to one vote per common share at all meetings of shareholders; are entitled upon a winding-up, liquidation or other distribution to receive equally such assets of Harlequin as are distributable to shareholders; and have no pre-emptive or conversion rights. The 133,333 common shares being purchased from the Selling Shareholders and the 266,667 common shares being purchased from Harlequin are and will be fully paid and non-assessable.

Dividend Record

The following is the dividend record with respect to the outstanding common shares before the above-mentioned subdivision of common shares by supplementary letters patent dated March 24, 1969 of Harlequin for each of the years shown:

| Year Ended December 31 | Number of Common Shares Outstanding (1) | Dividend per Common Share | Total Dividends |
|------------------------|---|---------------------------|-----------------|
| | | \$ | \$ |
| 1964 | 4,005 | 3.00 | 12,015 |
| 1965 | 4,005 | 6.00 | 24,030 |
| 1966 | 4,005 | 7.00 | 28,035 |
| 1967 (1) | 4,005 | 8.00 | 32,040 |
| 1968 (1) | 4,007 | 8.00 | 32,048 |

NOTE:

1. In addition to cash dividends in 1967 and 1968, stock dividends were paid to common shareholders by issuance in such years, respectively, of 9,490 and 2,723 preferred shares of the par value of \$10 each, which preferred shares were subsequently redeemed at par.

Dividend Policy

It is expected that Harlequin will retain a substantial portion of its future earnings to further expand its operations.

MANAGEMENT

Directors and Officers

The names in full and home addresses of the directors and officers of Harlequin, the offices held by them in Harlequin, and their principal occupations within the five preceding years are as follows:

| Name and Address | Office | Principal Occupation |
|--|---|---|
| Mary Frances Bonnycastle, 728 South Drive, Winnipeg 19, Manitoba. | Chairman of the Board and Director | Chairman of the Board and Editor of Harlequin. |
| Richard Arthur Northwood Bonnycastle, R.R. 5, Calgary, Alberta. | President and Director | President of Harlequin since October, 1968. Prior to that time employed by Richardson Securities of Canada. |
| James Iven McCartney, 117 Nymark Avenue, Willowdale, Ontario. | Executive Vice-President and Director | Executive Vice-President of Harlequin since October, 1968. Prior to that time a senior consultant with Woods, Gordon & Co. |
| Lawrence Christopher Bonnycastle, 9 Wychwood Park, Toronto, Ontario. | Director | President, Canadian Corporate Management Company Limited. |
| John Russell Hood, 36 Front Street, Stratford, Ontario. | Director | President of Jack Hood School Supplies Company Limited. |
| Ruth Pleasance Palmour, 240 Niagara Street, Winnipeg 9, Manitoba. | Secretary-Treasurer and Director | Secretary-Treasurer of Harlequin. |
| Daniel Sprague, 315 Dromore Avenue, Winnipeg 9, Manitoba. | Director | President, James B. Carter Limited. |

Remuneration of the Directors and Senior Officers

The aggregate remuneration (salary and bonus) paid by Harlequin to the directors and senior officers of Harlequin during its last completed financial year ended December 31, 1968 was \$10,000. The aggregate remuneration paid by Harlequin and Hood to the directors and senior officers of Harlequin from December 31, 1968 to March 15, 1969 was \$16,250. The aggregate remuneration paid by Hood to the directors and senior officers of Hood during its last completed financial year ended December 31, 1968 was \$153,600.

The aggregate remuneration estimated to be payable by Harlequin and Hood to the directors and senior officers of Harlequin and Hood during the financial year ending December 31, 1969 is \$134,000.

PRINCIPAL HOLDERS OF SHARES AND SELLING SHAREHOLDERS

The following are the principal holders of common shares of Harlequin and Selling Shareholders (as such term is defined herein):

| Name and Address | Number of common shares beneficially owned as at April 30, 1969 | Percentage of common shares as at April 30, 1969 | Number of common shares to be sold by Selling Shareholders | Number of common shares to be owned following this financing | Percentage of common shares to be owned following this financing |
|---|---|--|--|--|--|
| Richard Arthur Northwood Bonnycastle, R.R. 5, Calgary, Alberta. | 284,747 | 28.65 | | 284,747 | 21.45 |
| Mary Frances Bonnycastle, 728 South Drive, Winnipeg, Manitoba, | 88,255 | 8.89 | 88,255 | Nil | Nil |
| Honor Barbara de Pencier, 16 Ottawa Street, Toronto, Ontario. | 186,181 | 18.73 | | 186,181 | 14.02 |
| Judith Augusta Burgess, 80 Crescent Road, Toronto, Ontario. | 186,181 | 18.73 | | 186,181 | 14.02 |
| Ruth Pleasance Palmour, 240 Niagara Street, Winnipeg, Manitoba. | 198,772 | 20.00 | 45,078 | 153,694 | 11.58 |

As of April 30, 1969 the directors and senior officers of Harlequin, as a group, owned directly or indirectly, of record and beneficially, 621,374 of the outstanding common shares of Harlequin, representing 62.54% of the class. Upon the completion of this financing the directors and senior officers of Harlequin, as a group, will own directly or indirectly, of record and beneficially, 555,241 of the outstanding common shares of Harlequin representing 41.83% of the class.

PRIOR SALES

By an agreement made in October, 1968 Ruth Pleasance Palmour, the Secretary-Treasurer and a director of Harlequin, sold 200 common shares (49,600 subdivided common shares) of Harlequin for a price of \$125,000.

During the year ended December 31, 1968 Harlequin issued 2 common shares (496 subdivided common shares) of Harlequin for a cash consideration of \$1.00 per share.

MATERIAL CONTRACTS

Particulars regarding material contracts entered into by Harlequin within the two years preceding the date hereof, other than contracts in the ordinary course of business, are as follows:

- (1) The underwriting agreement dated April 25, 1969 made between Richardson Securities of Canada, the Selling Shareholders and Harlequin referred to under the heading Plan of Distribution on page 5.
- (2) The agreement dated December 20, 1968 pursuant to which Harlequin acquired 75% and agreed to acquire the remaining 25% of the issued and outstanding common shares of Hood as referred to under the heading Acquisition of Hood by Harlequin on page 5.

Copies of the foregoing agreements may be inspected at the head office of Harlequin at 365 Bannatyne Avenue, Winnipeg while the common shares offered by this prospectus are in the course of primary distribution and for a period of 30 days thereafter.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of Harlequin are Messrs. McDonald, Currie & Co., 379 Broadway Avenue, Winnipeg.

The transfer agent and registrar for the common shares of Harlequin is Montreal Trust Company at its principal offices in Halifax, Montreal, Toronto, Winnipeg, Calgary and Vancouver.

Balance Sheet and Pro For

The pro forma consolidated balance sheet gives effect to the following transactions:

- (i) the issuance to the Company of supplementary letters patent dated March 24, 1969, among other things:
- (a) changing the name of the Company to Harlequin Enterprises Limited;
 - (b) cancelling 7,787 authorized and unissued preferred shares of the par value of \$10 each and diminishing the authorized capital accordingly;
 - (c) subdividing each common share without nominal or par value, whether issued or unissued, into 248 common shares without nominal or par value;
 - (d) cancelling 6,920,000 authorized and unissued common shares following the above mentioned subdivision and diminishing the authorized capital accordingly; and
 - (e) converting the Company from a private company to a public company;

Assets

| | Balance sheet \$ | Pro forma consolidated balance sheet \$ |
|---|------------------------|--|
| Current Assets | | |
| Cash | 118,466 | 642,635 |
| Marketable securities — at cost (quoted value \$921,293) | 675,577 | 675,577 |
| Accounts receivable — trade (note 2) | 357,554 | 990,588 |
| — other | 64,856 | 67,971 |
| Inventories — at the lower of cost or net realizable value | 102,754 | 939,540 |
| Prepaid expenses | 3,473 | 43,121 |
| | <u>1,322,680</u> | <u>3,359,432</u> |
| Investments — at cost | | |
| Shares without quoted value | 27,000 | 27,000 |
| Non-interest bearing promissory note | 200,000 | — |
| | <u>227,000</u> | <u>27,000</u> |
| Fixed Assets | | |
| Land — at cost | — | 3,750 |
| Buildings, fixtures and equipment — at cost less accumulated depreciation (note 3) | 2,859 | 218,487 |
| Leasehold improvements — at cost less amortization | — | 10,487 |
| | <u>2,859</u> | <u>232,724</u> |
| Excess of cost of investment in shares of subsidiary company over net book value at acquisition | — | 1,378,804 |
| Deferred financing expenses | — | 42,500 |
| Approved on behalf of the Board: | | |
| (Signed) R. A. N. Bonnycastle, Director | | |
| (Signed) James I. McCartney, Director | <u>1,552,539</u> | <u>5,040,460</u> |

ES LIMITED

olidated Balance Sheet

1968

- (ii) the purchase by the Company of all the issued and outstanding common shares of Jack Hood School Supplies Company Limited for a total consideration of \$2,004,000 to be satisfied as follows:

| | |
|--|------------------|
| | \$ |
| Cancellation of non-interest bearing promissory note | 200,000 |
| Cash | 1,300,000 |
| Issue of 67,200 common shares of the Company | 504,000 |
| | <u>2,004,000</u> |

- (iii) the issue of 266,667 common shares of the Company to an underwriter for a cash consideration of \$1,866,669, and
- (iv) the payment of expenses of \$42,500 in connection with the financing, shown below as deferred financing expenses.

Liabilities

| | Balance sheet \$ | Pro forma consolidated balance sheet \$ |
|---|------------------------|--|
| Current liabilities | | |
| Bank advances (note 2) | — | 154,878 |
| Accounts payable and accrued liabilities | 435,615 | 1,161,905 |
| Income and other taxes payable | 78,684 | 241,854 |
| Provision for returns and allowances (note 4) | 268,299 | 268,299 |
| Current portion of long-term debt | — | 29,220 |
| | <u>782,598</u> | <u>1,856,156</u> |
| Long-term debt | | |
| Lien notes payable in installments to 1971 | — | 48,320 |
| 7% first mortgage—due 1972 | — | 24,594 |
| | <u>—</u> | <u>72,914</u> |
| Less: Current portion | — | 29,220 |
| | <u>—</u> | <u>43,694</u> |
| | <u>782,598</u> | <u>1,899,850</u> |

Shareholders' Equity

| | | |
|---|------------------|------------------|
| Capital Stock (note 5) | | |
| Authorized — common shares without nominal or par value | | |
| Issued and fully paid — 4,007 common shares | 407 | — |
| To be issued and fully paid—1,327,603 common shares | — | 2,371,076 |
| Retained earnings | 769,534 | 769,534 |
| | <u>769,941</u> | <u>3,140,610</u> |
| | <u>1,552,539</u> | <u>5,040,460</u> |

HARLEQUIN ENTERPRISES LIMITED

Statement of Earnings

For the Five Years Ended December 31, 1968

| | Year ended December 31, | | | |
|--|-------------------------|---------|----------|-----------|
| | 1964 | 1965 | 1966 | 1967 |
| | \$ | \$ | \$ | \$ |
| Gross operating profit on sales and royalty income (Note 7) | 404,544 | 555,978 | 796,039 | 1,122,737 |
| Operating expenses | 302,396 | 329,900 | 487,965 | 611,369 |
| Provision for income taxes (note 4) | 102,148 | 226,078 | 308,074 | 511,368 |
| Net earnings from operations | 79,057 | 106,000 | 176,176 | 289,004 |
| Gain (loss) on sale of securities | 23,091 | 120,078 | 131,898 | 222,364 |
| Net earnings for the year | 16,911 | 8,609 | (12,487) | 62,564 |
| | 40,002 | 128,687 | 119,411 | 284,928 |
| | | | | 346,224 |

Statement of Retained Earnings

For the Five Years Ended December 31, 1968

| | | | | | |
|---|---------|---------|---------|---------|---------|
| Retained earnings — beginning of year | 122,133 | 150,120 | 254,777 | 346,153 | 487,394 |
| Net earnings for the year | 40,002 | 128,687 | 119,411 | 284,928 | 346,224 |
| | 162,135 | 278,807 | 374,188 | 631,081 | 833,618 |
| Stock dividends paid | — | — | — | 94,900 | 27,230 |
| Cash dividends paid | 12,015 | 24,030 | 28,035 | 32,040 | 32,048 |
| Taxes paid under section 105(2) of the Income Tax Act | — | — | — | 16,747 | 4,806 |
| | 12,015 | 24,030 | 28,035 | 143,687 | 64,084 |
| Retained earnings — end of year | 150,120 | 254,777 | 346,153 | 487,394 | 769,534 |

HARLEQUIN ENTERPRISES LIMITED

Notes to Financial Statements

1. PRINCIPLES OF CONSOLIDATION

Subsequent to December 31, 1968 Harlequin Enterprises Limited acquired all issued and outstanding common shares of Jack Hood School Supplies Company Limited. Under the terms of the agreement for the purchase of these shares, certain assets not related to the principal operations of that company were disposed of prior to the acquisition by Harlequin Enterprises Limited. In addition, the outstanding preference shares of Jack Hood School Supplies Company Limited were purchased for cancellation. Accordingly, only the remaining assets and liabilities of that company are included in the pro forma consolidated balance sheet.

2. BANK ADVANCES

Jack Hood School Supplies Company Limited has made an assignment of book debts and given a floating charge debenture on all its remaining assets as security for bank advances.

3. FIXED ASSETS

Buildings, automobiles and trucks, fixtures and equipment are classified as follows:

| | Cost \$ | Accumulated depreciation \$ | Net \$ |
|---|------------|-----------------------------------|-----------|
| Balance Sheet | | | |
| Fixtures and equipment | 7,354 | 4,495 | 2,859 |
| Pro Forma Consolidated Balance Sheet | | | |
| Buildings | 61,638 | 35,546 | 26,092 |
| Automobiles and trucks | 64,008 | 41,240 | 22,768 |
| Fixtures and equipment | 355,754 | 186,127 | 169,627 |
| | 481,400 | 262,913 | 218,487 |

4. PROVISION FOR INCOME TAXES

The provision for returns and allowances, recorded in the accounts, is not allowed as an expense in computing the earnings upon which income taxes are payable. If deferred tax allocation accounting had been followed for this expense, the provision for income taxes would have been reduced and net earnings increased in the following amounts:

| Year ended December 31 | \$ |
|---------------------------|--------|
| 1964 | 18,000 |
| 1965 | 3,100 |
| 1966 | 31,000 |
| 1967 | 30,000 |
| 1968 | 9,400 |

The accumulated amount of income tax paid on the provision for returns and allowances to December 31, 1968 is \$136,800.

Harlequin Enterprises Limited has received federal income tax assessments to and including the taxation year 1967.

5. CAPITAL STOCK

(a) Authorized — As at December 31, 1968:

7,787 preferred shares of the par value of \$10 each,
40,000 common shares without nominal or par value.

— following the issuance of supplementary letters patent dated March 24, 1969:
3,000,000 common shares without nominal or par value.

(b) Issued — Subsequent to December 31, 1968 and after obtaining the said supplementary letters patent the Company issued common shares as follows:

(i) 266,667 common shares for a cash consideration of \$1,866,669,

(ii) 67,200 common shares for a consideration of 12,500 common shares of Jack Hood School Supplies Company Limited valued at \$504,000.

6. LEASE COMMITMENT

Jack Hood School Supplies Company Limited has a commitment under a lease for annual rentals of \$45,000 during the years 1969 to 1978 both inclusive.

7. SALES AND ROYALTY INCOME

The percentage increase (decrease) over the previous year for sales and royalty income was as follows for each year ended December 31: 1964—42%; 1965—27%; 1966—32%; 1967—29%; 1968—(7%).

AUDITORS' REPORT

To the Directors,
Harlequin Enterprises Limited.

We have examined the balance sheet of Harlequin Enterprises Limited as at December 31, 1968 and the related statements of earnings and retained earnings for the five years ended December 31, 1968.

We have also examined the pro forma consolidated balance sheet of Harlequin Enterprises Limited and its subsidiary company as at December 31, 1968.

Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of Clarkson, Gordon & Co. who examined the balance sheet of Jack Hood School Supplies Company Limited as at December 31, 1968.

In our opinion, the balance sheet and the statements of earnings and retained earnings, when read in conjunction with the notes thereto, present fairly the financial position of Harlequin Enterprises Limited as at December 31, 1968 and the results of its operations for the five years ended December 31, 1968 in accordance with generally accepted accounting principles applied on a consistent basis.

In our opinion the pro forma consolidated balance sheet also presents fairly the consolidated financial position of Harlequin Enterprises Limited and its subsidiary company at the same date, after giving effect to the changes set forth in the heading thereof in accordance with generally accepted accounting principles.

April 30, 1969,
Winnipeg, Manitoba.

(Signed) McDonald, Currie & Co.,
Chartered Accountants.

JACK HOOD SCHOOL SUPPLIES COMPANY LIMITED

Statement of Earnings

For the Five Years Ended December 31, 1968

| | Year ended December 31, | | | | |
|---------------------------------|-------------------------|------------|------------|------------|------------|
| | 1964 \$ | 1965 \$ | 1966 \$ | 1967 \$ | 1968 \$ |
| Gross operating profit on sales | 645,242 | 729,524 | 761,311 | 1,096,609 | 1,498,394 |
| Depreciation | 19,769 | 20,211 | 31,600 | 43,672 | 45,292 |
| Other operating expenses | 542,218 | 589,711 | 693,842 | 800,458 | 1,034,392 |
| Earnings before income taxes | 561,987 | 609,922 | 725,442 | 844,130 | 1,079,684 |
| Provision for income taxes | 83,255 | 119,602 | 35,869 | 252,479 | 418,710 |
| Net earnings | 33,200 | 53,400 | 9,250 | 123,000 | 219,500 |
| | 50,055 | 66,202 | 26,619 | 129,479 | 199,210 |

NOTE:

The percentage increase in sales over the previous year was as follows for each year ended December 31: 1964—15%; 1965—16%; 1966—14%; 1967—18%; 1968—15%.

AUDITORS' REPORT

To the Directors,
Jack Hood School Supplies Company Limited:

We have examined the statement of earnings for the five years ended December 31, 1968. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying statement of earnings presents fairly the results of operations of the company for the five years ended December 31, 1968 in accordance with generally accepted accounting principles applied on a consistent basis.

Kitchener, Canada,
March 20, 1969.

(Signed) Clarkson, Gordon & Co.
Chartered Accountants.

HARLEQUIN ENTERPRISES LIMITED
AND JACK HOOD SCHOOL SUPPLIES COMPANY LIMITED

Pro Forma Summary of Combined Earnings
For the Five Years Ended December 31, 1968

| | Year ended December 31 | | | | |
|---|------------------------|-----------|-----------|-----------|-----------|
| | 1964 | 1965 | 1966 | 1967 | 1968 |
| | \$ | \$ | \$ | \$ | \$ |
| Sales | 8,109,100 | 8,702,577 | 4,892,512 | 5,133,140 | 5,490,521 |
| Cost of goods sold and operating expenses exclusive of items shown below | 2,847,768 | 3,306,510 | 3,955,648 | 4,240,415 | 4,336,905 |
| | 261,332 | 396,067 | 436,864 | 892,725 | 1,153,616 |
| Depreciation of fixed assets and amortization of leasehold improvements | 20,095 | 20,573 | 32,127 | 44,231 | 46,007 |
| | 241,237 | 375,494 | 404,737 | 848,494 | 1,107,609 |
| Provision for income taxes (note 3) | 151,000 | 185,300 | 226,900 | 455,500 | 590,100 |
| Combined net earnings from operations (notes 2, 3 and 4) | 90,237 | 190,194 | 177,837 | 392,994 | 517,509 |
| Earnings per common share (1,327,603 shares) | 6.8¢ | 14.3¢ | 13.4¢ | 29.6¢ | 39.0¢ |

**HARLEQUIN ENTERPRISES LIMITED
AND JACK HOOD SCHOOL SUPPLIES COMPANY LIMITED**

Notes to Pro Forma Summary of Combined Earnings

For the Five Years Ended December 31, 1968

1. PRINCIPLES OF COMBINATION

The pro forma summary combines the earnings of

Harlequin Enterprises Limited — For the five years ended December 31, 1968.

Jack Hood School Supplies Company Limited — For the five years ended December 31, 1968.

The pro forma summary demonstrates the earnings from operations which would have resulted had the above companies had a parent-subsiary relationship throughout the five-year period.

There were no inter-company transactions throughout the five-year period.

2. ADJUSTMENTS TO EARNINGS

The following adjustments have been made in combining the earnings of the respective companies:

- (i) Operating expenses have been adjusted over the five-year period to reflect the cancellation subsequent to December 31, 1968 of certain management and employment contracts and to give effect to salary and other expenses which otherwise would have been incurred in the ordinary course of business.
- (ii) The provision for income taxes has been adjusted to reflect the effect on income taxes of the adjustment referred to in (i) above and the additional income taxes that would have been payable had the companies been associated throughout the five-year period.

As a result of these adjustments the combined net earnings from operations were increased as follows:

| Year ended December 31 | \$ |
|---------------------------|--------|
| 1964 | 17,091 |
| 1965 | 3,914 |
| 1966 | 19,320 |
| 1967 | 41,151 |
| 1968 | 53,820 |

3. PROVISION FOR INCOME TAXES

The provision for returns and allowances, recorded in the accounts, is not allowed as an expense in computing the earnings upon which income taxes are payable. If deferred tax allocation accounting had been followed for this expense, the provision for income taxes would have been reduced and net earnings increased in the following amounts:

| Year ended December 31 | \$ |
|---------------------------|--------|
| 1964 | 18,000 |
| 1965 | 3,100 |
| 1966 | 31,000 |
| 1967 | 30,000 |
| 1968 | 9,400 |

The accumulated amount of income tax paid on the provision for returns and allowances to December 31, 1968 is \$136,800.

4. EXTRAORDINARY ITEMS

In addition to earnings from operations, the companies had the following extraordinary income (expense):

| | Year ended December 31, | | | | |
|---|-------------------------|--------------|-----------------|---------------|---------------|
| | 1964 \$ | 1965 \$ | 1966 \$ | 1967 \$ | 1968 \$ |
| Gain (loss) on sale of securities | <u>16,911</u> | <u>8,609</u> | <u>(12,487)</u> | <u>62,564</u> | <u>81,745</u> |
| Gain (loss) on sale of securities per common share (1,327,603 common shares) | 1.3¢ | 0.6¢ | (0.9¢) | 4.7¢ | 6.2¢ |

AUDITORS' REPORT

To the Directors,
Harlequin Enterprises Limited.

We have examined the pro forma summary of combined earnings of Harlequin Enterprises Limited and Jack Hood School Supplies Company Limited for the five years ended December 31, 1968.

Our examination included a general review of the accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of Clarkson, Gordon & Co., who examined the statements of earnings of Jack Hood School Supplies Company Limited for the five years ended December 31, 1968.

In our opinion, this financial summary presents fairly the pro forma combined results of operations of the companies for the five years ended December 31, 1968 in accordance with generally accepted accounting principles applied on a consistent basis after giving effect to the adjustments and transactions set out in notes 1, 2, 3 and 4 thereto.

April 30, 1969,
Winnipeg, Manitoba.

(Signed) McDonald, Currie & Co.,
Chartered Accountants.

CERTIFICATE OF HARLEQUIN

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Section 13 of the Securities Act (New Brunswick), under the Securities Act (Quebec), by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder, by Part VII of The Securities Act, 1968 (Manitoba) and the regulations thereunder, by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, by Part 7 of The Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VII of the Securities Act, 1967 (British Columbia) and the regulations thereunder.

Dated: April 30, 1969.

(Signed) R. A. N. Bonnycastle
President
Chief Executive Officer

(Signed) James I. McCartney
Executive Vice-President
Chief Financial Officer

On behalf of the Board of Directors by:

(Signed) Mary F. Bonnycastle

(Signed) Ruth P. Palmour

DIRECTORS

(Signed) R. A. N. Bonnycastle

(Signed) James I. McCartney

(Signed) Mary F. Bonnycastle

(Signed) Ruth P. Palmour

(Signed) L. C. Bonnycastle*

(Signed) Daniel Sprague*

(Signed) Jack Hood*

*By his agent: (Signed) R. A. N. Bonnycastle

CERTIFICATE OF THE UNDERWRITER

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Section 13 of the Securities Act (New Brunswick), under the Securities Act (Quebec), by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder, by Part VII of The Securities Act, 1968 (Manitoba) and the regulations thereunder, by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, by Part 7 of The Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VII of the Securities Act, 1967 (British Columbia) and the regulations thereunder.

Dated: April 30, 1969.

RICHARDSON SECURITIES OF CANADA

By: (Signed) F. N. Hughes

The following is the name of the only person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of Richardson Securities of Canada: George T. Richardson.

The Prospectus was filed with the Ontario Securities Commission on May 5, 1969, the British Columbia Securities Commission on May 5, 1969, the Alberta Securities Act on May 7, 1969, the Saskatchewan Securities Commission on May 2, 1969, The Manitoba Securities Commission on May 2, 1969, the Quebec Securities Commission on May 6, 1969, the Administrator of the Securities Act (New Brunswick) on May 6, 1969, the Registrar of the Securities Act (Nova Scotia) on May 7, 1969, the Registrar of the Securities Frauds Prevention Act (Prince Edward Island) on May 5, 1969, and the Minister of Consumer and Corporate Affairs on May 20, 1969.

13. FISCAL YEAR

The fiscal year of the Company ends on December 31 in each year.

14. ANNUAL MEETINGS

The by-laws of the Company provide that the annual meeting of the shareholders of the Company shall be held at such time in each year and at such place within Canada as the board shall from time to time determine. The last annual meeting was held June 25, 1969.

15. HEAD AND OTHER OFFICES

The Company has its head office at Suite 2703, Toronto Dominion Bank Tower, Toronto-Dominion Centre, Toronto, Ontario. The Company also maintains executive offices at 365 Bannatyne Avenue, Winnipeg, Manitoba.

16. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the common shares is Montreal Trust Company at its principal offices in Vancouver, Calgary, Winnipeg, Toronto, Montreal and Halifax.

17. TRANSFER FEE

No fee is charged on the transfer of common shares other than the customary government stock transfer taxes.

18. AUDITORS

Messrs. Clarkson, Gordon & Co., Chartered Accountants, 15 Wellington Street West, Toronto, Ontario are the auditors of the Company.

19. DIRECTORS AND OFFICERS

The names in full and home addresses of the directors and officers of the Company, and their principal occupations within the five preceding years are as set out on page 7 of the Prospectus. In addition, Mr. Gordon Lawson, Senior Vice-President, James Richardson & Sons, Limited, Winnipeg, Manitoba, was elected a director of the Company at the annual meeting of shareholders held June 25, 1969.

20. CERTIFICATE OF THE COMPANY

Pursuant to a resolution duly passed by its board of directors, the applicant Company hereby applies for listing of the above-mentioned securities on The Toronto Stock Exchange, and the undersigned officers hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

HARLEQUIN ENTERPRISES LIMITED

by "R. A. N. BONNYCASTLE",
President.

"RUTH PALMOUR," C.S.
Secretary.

21. CERTIFICATE OF THE UNDERWRITER

To the best of our knowledge, information and belief, all of the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

RICHARDSON SECURITIES OF CANADA

by "DONALD H. McLANDRESS",

DISTRIBUTION OF COMMON STOCK AS OF JUNE 20, 1969

| Number | | | | | | Shares |
|--------|--------------|--------|---------------|--------------|--|-----------|
| 4 | Holders of | 1 — | 24 share lots | | | 65 |
| 236 | " " | 25 — | 99 " " | | | 10,105 |
| 237 | " " | 100 — | 199 " " | | | 23,950 |
| 49 | " " | 200 — | 299 " " | | | 10,294 |
| 8 | " " | 300 — | 399 " " | | | 2,450 |
| 8 | " " | 400 — | 499 " " | | | 3,275 |
| 29 | " " | 500 — | 999 " " | | | 17,350 |
| 32 | " " | 1000 — | up " " | | | 1,260,114 |
| 603 | Shareholders | | | Total shares | | 1,327,603 |

